

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF  
EAST KENTUCKY UTILITIES, INC.

) CASE NO.  
) 98-280

O R D E R

IT IS ORDERED that East Kentucky Utilities, Inc. ("East Kentucky") shall file no later than July 29, 1998 an original and 8 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the February 28, 1998 Balance Sheet in the Application. Provide an explanation for the following items:

- a. Bond Debt Service Fund, \$37,613.
- b. Debt Service Reserve Fund, \$76,520.

- c. Depreciation Fund, \$125,742.
- d. Unamortized Debt Expense, \$29,407.

2. Refer to the test-year-end Income Statement in the Application. Prepare a breakdown of the items listed below showing the date of the expenditure, vendor or payee, and a brief description of each expenditure.

- a. Services Supplies & Expenses.
- b. Accounts Supplies & Expenses.
- c. Outside Services.
- d. Insurance.
- e. Employee Benefits.
- f. Rents.
- g. Transportation Expense.
- h. Amort Debt DPC & Expense.
- i. Interest Expense.
- j. Payroll & Other Taxes.

3. Refer to the Notes & Bonds Payable schedule filed in the Application. Explain the Xerox note in the amount of \$3,175.

4. Refer to the Normalization explanation schedule in the Application.
- a. Explain the reasoning of eliminating the interest on bonds and the DLG long-term notes.
  - b. Provide excerpts from any mortgage agreements or bond instructions that explain the determination of its Debt Service Coverage ratio.

5. Refer to the Proforma Adjustments explanation schedule in the Application. Explain why the Commission should allow adjustments for cost increases that occur 4 months outside the test year.

6. Refer to the Proforma Adjustments explanation schedule in the Application. Provide workpapers for each proposed adjustment and justify the expense.

7. Refer to Mr. Allen's Testimony in the Application.

a. Explain why Mr. Allen believes that \$475 per month for the shop, \$550 per month for the office, \$200 per month for the property, \$200 per month for customer billing and \$1,010 per month for leasing of trucks are considered reasonable expenditures.

b. Did East Kentucky receive any quotes from other vendors?

c. Provide a copy of the lease(s) for the shop, office, property and trucks and justify the reasonableness of the lease amounts.

d. Provide a description of the office, shop and property. Include in the description the total square footage, the square footage used by East Kentucky, and the portion used by other entities.

8. Does anyone else lease the shop, office, and/or property also? If yes, provide the name and amount of rent paid by the other entities.

9. In Case No. 90-002, <sup>1</sup> Staff recommended in the Staff Report that it would be economically advantageous for East Kentucky to purchase vehicles rather than lease them. Provide the cost/benefits of leasing versus purchasing.

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<sup>1</sup> Case No. 90-002, The Application of East Kentucky Utilities, Inc. for Adjustment of Rates for Changes in Rules and Regulations and Approval of Indebtedness Pursuant to KRS 278.300, Order dated October 10, 1990.

10. Refer to the calculation of the required increase in the Application.

a. What type of methodology is East Kentucky utilizing in calculating the proposed increase, Operating Ratio or Debt Service Coverage?

b. If the Operating Ratio is being proposed, why is a debt service component in the calculation?

c. Explain why a gross up factor of 90 percent was used in the calculation of the required increase.

11. Provide the following information concerning the costs for the preparation of this case:

a. A detailed schedule of costs incurred to date by East Kentucky for the rate case. Include the date of the transaction; check number or other document reference, the vendor, amount, a description of the services performed, and the Uniform System of Accounts number in which the expenditure was recorded. Include copies of invoices received from the vendors.

b. An itemized estimate of the total cost to be incurred, detailed explanation of how the estimate was determined, and all supporting workpapers and calculations.

c. Monthly updates of the actual costs incurred during the course of this proceeding, in the manner prescribed above.

12. Provide the following:

a. A schedule of salaries and wages for the test year and each of the 3 calendar years preceding the test year as shown in Format 12, attached. For each time period, provide the amount of overtime pay.

b. A schedule showing the percentage of increase in salaries and wages for the test year and the 3 preceding years.

13. Provide the following payroll information for each employee:

- a. The actual regular hours worked during the test year.
- b. The actual overtime hours worked during the test year.
- c. The beginning wage rate and the test-year-end wage rate for each employee and the date of the last increase.
- d. Of the employees listed, how many of them are covered by another company in relation with East Kentucky?

The information shall identify all the employees as either salaried or hourly, and also as either full-time, part-time, or temporary. Include an explanation of how the overtime pay rate is determined. If any employees were terminated during the test year identify (along with the month in which the termination occurred), as well as those employees who replaced terminated employees or were otherwise added to the payroll during the test year. Provide the account numbers being charged for payroll.

14. Provide the following payroll tax information:

- a. The base wages and salaries used to calculate the taxes, with an explanation of how the base wages and salaries were determined.
- b. The tax rates in effect at test-year-end.

15. Provide the following:

- a. An aging schedule on Accounts Receivable as of test-year-end.
- b. An aging on Accounts Payable as of test-year-end.

16. Provide the principal and interest payments for the 3 preceding calendar years for the revenue bonds and the DLG note.

17. Provide a copy of East Kentucky's existing bond ordinance provisions.

18. Provide the DLG note, mortgage, and security agreements. Explain if the documents provide for interest coverage requirements.

19. Refer to the Depreciation schedule filed in the Application. Explain the "Fed. Basis" method of calculating depreciation expense.

20. Reference Exhibit FR 7(a): The amount of KY WVA surcharge expense exceeds the surcharge revenue collected from customers by approximately \$474.00. Provide a detailed explanation of how these amounts are determined and the reason for the difference between the two.

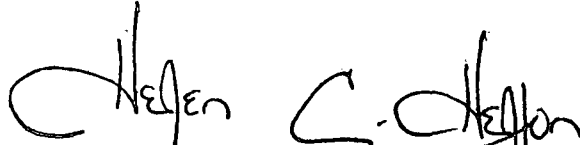
21. Reference Exhibit FR 6(a): Cite the Commission regulation, prior case, Order or other source that requires the elimination of Bond and DLG Long Term Note interest in determining rate design structure.

Done at Frankfort, Kentucky, this 14<sup>th</sup> day of July, 1998.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director



EAST KENTUCKY UTILITIES, INC.

CASE NO. 98-280

Analysis of Salaries and Wages  
For the Calendar Years 19 Through 19  
And the Test Year  
(000's)

12 Months Ended

Line No.	Item (a)	Calendar Years Prior to Test Year						Test Year	
		3rd		2nd		1st		Amount (l)	% (m)
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)		
	(h) Franchise requirements								
	(i) Regulatory Commission expenses								
	(j) Duplicate charges-cr.								
	(k) Miscellaneous general expense								
	(l) Maintenance of general plant								
8.	Total Administrative and general expenses L7(a) through L7(l)								
9.	Total salaries and wages charged expense (L2 through L6 + L8)								
10.	Wages Capitalized								
11.	Total Salaries and Wages								
12.	Ratio of Salaries and wages charged expense to total wages (L9 ~ L11)								



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